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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION  
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IN THE MATTER OF THE REORGANIZATION ) DOCKET NO. E-04230A-14-0011  
OF UNS ENERGY CORPORATION ) DOCKET NO. E-01933A-14-0011  
)  
) **NOTICE OF FILING LATE-FILED**  
) **EXHIBIT**

Pursuant to the request of the Administrative Law Judge, UNS Energy Corporation<sup>1</sup> and Fortis Inc.<sup>2</sup> hereby file Exhibit JA-17, which sets forth a comparison of the conditions in the 1997 TEP Holding Company Order (Decision No. 60480 (November 25, 1997)) with the conditions in the Settlement Agreement in this docket.

RESPECTFULLY SUBMITTED this 2nd day of July, 2014

UNS ENERGY CORPORATION AND FORTIS INC.

By

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and

<sup>1</sup> On behalf of itself and its affiliates UniSource Energy Services, Inc., Tucson Electric Power Company, UNS Electric, Inc. and UNS Gas, Inc.

<sup>2</sup> On behalf of itself and its affiliates FortisUS Holdings Nova Scotia Limited, FortisUS Inc. and Color Acquisition Sub Inc.

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14 Original and 13 copies of the foregoing  
15 filed this 2<sup>nd</sup> day of July, 2014 with:

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington Street  
19 Phoenix, Arizona 85007

20 Copy of the foregoing hand-delivered/mailed  
21 this 2<sup>nd</sup> day of July, 2014 to:

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## Exhibit JA-17 (late-filed)

### Comparison of 1997 TEP Holding Company Order Conditions to UNS/Fortis Settlement Agreement Conditions

1997 TEP Holding Company Order Condition	Treatment in UNS/Fortis Settlement Agreement
1. The Holding Company and sister companies will not conduct any material business activities that are not part of the "Electric Energy Business" or are not reasonably related to business activities derived from the changes in the electric industry as a result of competition without Commission approval. The term "Electric Energy Business" is defined in TEP's 1995 Proxy Statement.	Not continued in Settlement Conditions.
2. The Holding Company, TEP and sister companies will strive to charge the lower of fully allocated cost or market price whenever goods, products or service are sold/provided by the Holding Company or sister companies to TEP and the higher of fully allocated cost or market whenever TEP sells/provides non-tariffed goods, products or services to the Holding company or sister companies. The Holding Company, TEP and sister companies recognize that determining a market price for all goods, products and services being transferred in and among the Holding Company, TEP and sister companies could be a complex or difficult task for some items. Nonetheless, the Holding Company, TEP and sister companies agree to attempt to determine a market price for any good, product or service being provided by TEP to the Holding Company or sister companies as well as for any good, product or service provided by Holding Company or sister companies to TEP whenever the annual, fully allocated cost for given good, product or service being transferred exceeds \$500,000 annually. Furthermore, TEP will retain such market research information (regardless of whether it is ever utilized) until such time as the Utilities Division Staff or its representative have reviewed such information.	Waived by the Commission in Decision Nos. 62103 and 71256 and not continued in Settlement Conditions.
3. The Holding Company will not pledge TEP common stock as collateral or security for the debt of the Holding Company or a sister	Not expressly continued in Settlement Conditions but addressed in Settlement Condition 23.

company without Commission approval.	
4. Any business that TEP finds to be necessary, reasonably incidental or economically appropriate to utility operations will remain with TEP and its subsidiaries.	Not continued in Settlement Conditions.
5. TEP will account for, bill and otherwise treat transactions with the Holding Company and sister companies in the same manner as it customarily treats similar transactions with nonaffiliates. The Holding Company and sister companies will pay for services received from TEP by check or wire on the same terms offered to nonaffiliates. TEP will pay for services received from the Holding Company and sister companies in the same manner and on the same terms customarily applied to nonaffiliated vendors. Separate bank accounts will be maintained by the Holding Company and sister companies. The Holding Company and sister company funds will not be commingled in TEP bank accounts.	Not expressly continued in Settlement Conditions but addressed in Settlement Conditions 24 and 58.
6. The Board of Directors of the Holding Company will establish procedures to review affiliated transactions between the Holding Company, TEP and sister companies.	Not expressly continued in Settlement Conditions but addressed in Settlement Condition 58.
7. The Holding Company, TEP and sister companies will adopt marketing standards and will not engage in coercive or misleading advertising.	Not continued in Settlement Conditions.
8. The Holding Company will provide the Commission Staff, upon request and with appropriate notice, all information needed to verify compliance with the conditions authorized in this proceeding and any other information relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over TEP.	Not expressly continued in Settlement Conditions but addressed in Settlement Conditions 43, 47 and 49.
9. The requirements of TEP, as determined to be necessary to meet its regulatory obligations to serve its customers shall be given first priority by the Holding Company Board of Directors.	Settlement Condition 39.
10. TEP will not guarantee the notes,	Not expressly continued in Settlement Conditions

debentures, debt obligations or other securities of any of the Holding Company or sister companies, or enter into any "make-well" agreements without prior Commission approval.	but addressed in Settlement Conditions 18, 23 and 25.
11. At the Commission's request, officers and employees of the Holding Company or sister companies will give testimony concerning affiliated transactions and diversification plans.	Settlement Condition 48.
12. The Commission will be furnished with the Holdings Company's quarterly and annual financial statements, which will consolidate the financial statements of the Holding Company, TEP and all sister companies, and any other SEC filings, and individual quarterly and annual financial statements for TEP and each sister company, individually.	Partially waived by the Commission in Decision Nos. 62103 and 71256 and not expressly continued in Settlement Conditions but addressed in Settlement Condition 51.
13. The Commission will be furnished annually, a report identifying any non-clerical TEP personnel moved to the Holding Company or its subsidiaries on a full-time basis.	Waived by the Commission in Decision Nos. 62103 and 71256 and not continued in Settlement Conditions.
14. The Commission will be furnished annually, a report detailing TEP's proportionate share of the Holding Company's: i) assets; ii) operating revenues; and iii) operating and maintenance expenses.	Not expressly continued in Settlement Conditions but addressed in Settlement Condition 51.
15. Regardless of what tax allocation procedure or methodology is employed for assigning consolidated current and deferred income tax expense and accumulated deferred income taxes for financial statement purposes, TEP agrees to maintain stand alone federal and state current and deferred income tax expense calculations for all years subsequent to formation of the holding company calculated on a stand alone TEP basis which considers all available elections that produce the presumed lowest cost of service revenue requirements for TEP's regulated retail customers.	Not continued in Settlement Conditions.
16. The Holding Company, TEP and sister companies will comply with all FERC requirements (including, but not limited to Order Nos. 888 and	Settlement Condition 59.



889) related to affiliate transactions between power brokers or marketers with respect to power sales.	
17. The capitalization of the sister companies (debt and equity) may not exceed 30 percent of TEP's capitalization unless otherwise approved by the Commission.	Waived by the Commission in Decision Nos. 62103 and 71256 and not continued in Settlement Conditions.
18. The cost rate assigned to the notes issued TEP by UniSource in return for TEP's transfer of its unregulated investments to UniSource shall be at 9.78 percent, or a rate that will afford TEP the opportunity to earn at least its currently authorized 7.72 percent after-tax return.	Not continued in Settlement Conditions.
19. For five years from commencement of operations of the holding company, the following proceeds will be used to reduce TEP's debt or added to TEP's equity accounts: a) 60 percent of any public equity issuance (including dividend reinvestment or employee stock plans) undertaken by the holding company; b) two percent of the net after-tax profits attributable to the holding company's equity interest in sister companies; and c) in compensation for the use of the ratepayers' cash flow and because the ratepayers are at the base of whatever creditworthiness the company has, the two percent herein will be split 50 percent to reduce TEP's debt or added to TEP's equity accounts and 50 percent to directly lower rates.	Not continued in Settlement Conditions.
20. Until such time as TEP's equity ratio equals 37.5 percent of total capital, TEP will not issue dividends to the parent (UniSource) which comprise more than 75 percent of TEP's earnings.	Not continued in Settlement Conditions but addressed in Settlement Condition 16.
21. TEP will target attainment of 37.5 percent equity ratio in its capital structure by December 31, 2000. If that capital structure goal is not attained, and the equity ratio is less than 37.5 percent by that date, the Commission may set rates for TEP based on its actual capital structure at that date rather than the hypothetical 37.5 percent equity/62.5 percent	Not continued in Settlement Conditions.

debt capitalization currently included in rates.	
22. The Holding Company, TEP and sister companies will maintain up-to-date organizational charts that illustrate the vertical chain of command and, when applicable, horizontal reporting/coordination requirements in and among the Holding Company, TEP and sister company management.	Settlement Condition 60.
23. The Holding Company, TEP and sister companies will maintain up-to-date job position descriptions which clearly delineate duties and responsibilities. The job descriptions will state whether the position can be expected to work for more than one entity (i.e., the Holding Company, TEP or sister companies). If the position is at the Holding Company level, the position description will state whether the duties relate to corporate governance functions and whether the duties and responsibilities of the position benefit more than one subsidiary.	Settlement Condition 61.
24. Each sister company will disclose at the time of any TEP base retail rate filing each service function (i.e., accounting, treasury, human resources, information technology, risk management, etc.) that it does not fully staff, or which it relies in whole or in part upon the Holding Company or TEP.	Settlement Condition 62.
25. All employees below the Vice President level, who work for more than one department or responsibility area or who may be called on to work for more than one entity, keep detailed time sheets on a "positive" time sheet. The time sheets the Company would utilize provide weekly time reports with daily entries for time worked. Time would be broken out between the various entities for whom work was performed, and area of activity where relevant. Further, Vice Presidents, Senior Vice Presidents and the President of TEP provide "exception" time reports. For future rate cases, when the Utilities Division Staff finds the Company's proposed allocations to be unreasonable, there will be a rebuttable presumption that the resources of the	Settlement Condition 63.

employee/department should be allocated between regulated and unregulated activities in the same percentage as their respective percentage of capital investments.	
26. All time TEP and Holding Company employees spend on mergers, acquisitions ("M&A") and new business development will be tracked for below-the-line recording and/or assignment to a newly acquired or newly developed business. However, if the new business development or M&A activity is primarily and substantially for the benefit of TEP, that it be permitted to record the item above-the-line, subject to disallowance in a future base rate proceeding.	Settlement Condition 64.
<p>27. The Holding Company, TEP and/or sister companies will provide the following documents to the Utilities Division Staff on an annual basis:</p> <ul style="list-style-type: none"> <li>• All royalty agreements, licensing agreements or other agreements entered into between TEP/parent company and any affiliate for the purpose of compensating for the use of intangible assets, including trademarks, trade names, software systems, etc.</li> <li>• All operating and service agreements entered into between TEP, the Holding Company and any sister company.</li> <li>• All new, revised and updated strategic business plans for the Holding Company, TEP and each sister company.</li> <li>• Description of any and all joint marketing/promotional campaigns between TEP, the Holding Company and any sister company.</li> <li>• Examples of all joint marketing work products (i.e., newspaper ads, magazine ads, TV and radio ad transcripts, etc.).</li> <li>• Narrative description of all joint or common services shared between TEP, the Holding Company and all sister companies.</li> <li>• All logos, trademarks and trade names registered by the Holding Company, TEP and sister companies.</li> <li>• Narrative description all products and services offered by TEP and each sister company.</li> <li>• Listing of the Board of Director and executive</li> </ul>	Settlement Condition 65.

officers for TEP, the Holding Company and each sister company.	
28. UniSource (and the sister companies) will not invest an amount greater than \$60 million in any single investment without Commission approval. The Commission shall be the sole arbitrator of what constitutes a "single investment".	Not continued in Settlement Conditions.